

CHAPTER 8

STATEMENT OF FINANCING0801 FORMAT FOR THE STATEMENT OF FINANCING**Department of Defense****[Reporting Entity]****COMBINED STATEMENT OF FINANCING****For the period ending September 30, XXXX****(\$ in thousands)**

	FY <u>XXXX</u>
1. OBLIGATIONS AND NONBUDGETARY RESOURCES:	
A. Obligations Incurred	\$ xxx,xxx
B. Less: Spending Authority for Offsetting Collections and Adjustments	(xxx,xxx)
C. Donations Not in the Entity's Budget	xxx,xxx
D. Financing Imputed for Cost Subsidies	xxx,xxx
E. Transfers-In (Out)	xxx,xxx
F. Exchange Revenue Not in the Entity's Budget	xxx,xxx
G. Other	<u>xxx,xxx</u>
H. Total Obligations as Adjusted and Nonbudgetary Resources	<u>\$ x,xxx,xxx</u>
2. RESOURCES THAT DO NOT FUND NET COST OF OPERATIONS:	
A. Change in Amount of Goods, Services, and Benefits Ordered but Not Yet Received or Provided	xxx,xxx
B. Costs Capitalized on the Balance Sheet	xxx,xxx
C. Financing Sources That Fund Costs of Prior Periods	xxx,xxx
D. Other	<u>xxx,xxx</u>
E. Total Resources That Do Not Fund Net Costs of Operations	<u>\$ x,xxx,xxx</u>
3. COSTS THAT DO NOT REQUIRE RESOURCES:	
A. Depreciation and Amortization	xxx,xxx
B. Revaluation of Assets and Liabilities	xxx,xxx
C. Other	<u>xxx,xxx</u>
D. Total Costs That Do Not Require Resources	<u>\$ x,xxx,xxx</u>
4. Financing Sources Yet to be Provided	<u>xxx,xxx</u>
5. Net Cost of Operations	<u>\$ x,xxx,xxx</u>

Additional Information included in Note 20.

The accompanying notes are an integral part of these statements.

Figure 8-1

0802 INSTRUCTIONS FOR THE STATEMENT OF FINANCING080201. General Instructions for the Preparation of the Statement of Financing.

A. Accrual-based measures used in the Statement of Net Cost differ from the obligation-based measures used in the Statement of Budgetary Resources. The Statement of Financing is designed to report those differences and facilitate the reconciliation. In order to understand these differences, information is needed to reconcile financial (proprietary) net cost of operations with obligations of budget authority. This reconciliation also insures that there is a proper relationship between proprietary and budgetary accounts in the reporting entity's financial management system. The Office of Management and Budget (OMB) does not require a consolidated Statement of Financing for fiscal years (fy) 1998 and 1999. Therefore, the Department of Defense (DoD) has elected to prepare for FY 1998 a combined Statement of Financing. The statements will be appropriately titled as combined.

B. Preparers of financial statements have flexibility as to the level of detail presented, i.e., the information should be presented for the reporting entity as a whole and, if the preparer elects, for the major suborganizations or responsibility segments or for the major budget accounts. Material disclosures pertinent to the Statement of Financing are provided at Note 20.

080202. Instructions for the Preparation of the Statement of Financing.

A. Obligations and Nonbudgetary Resources - Lines 1.A. through 1.H. The obligations and nonbudgetary resources section reports the computation of "Obligations Incurred" and adjustments for offsetting collections to expenditure accounts, recoveries of authority, and other items defined in OMB Circular A-34. It also reports financing that is not recognized in the entity's budget. Financing sources other than exchange revenues which are not in the budget are added to obligations because they provide additional resources. Exchange revenues not in the budget are subtracted from obligations because they were subtracted from gross costs in the computation for net cost of operations.

1. Obligations Incurred – Line 1.A. This amount should equal the obligations incurred as reported for the current year on the Statement of Budgetary Resources, Line 6. This line includes amounts for undelivered orders and expended authority.

2. Spending Authority from Offsetting Collections and Adjustments – Line 1.B. This line includes the amount reported on the Statement of Budgetary Resources, Line 3.

3. Donations Not in the Entity's Budget – Line 1.C. Include "other than cash" amounts for donated revenue.

4. Financing Imputed for Cost Subsidies – Line 1. D. This amount includes the imputed financing sources for cost subsidies.

5. Transfers-In (Out) – Line 1.E. Include the amounts that have been transferred in without reimbursement and transferred out without reimbursement.

6. Exchange Revenue Not in the Entity's Budget – Line 1.F. This line should include amounts for nongovernment increases/decreases that is associated with nongovernment exchange revenue for accounts receivable and interest receivable. This line also includes other revenue that is associated with exchange revenue.

7. Other – Line 1.G. This line includes any other nonbudgetary revenue that is associated with nonexchange revenue.

8. Total Obligations as Adjusted and Nonbudgetary Resources Line 1.H. Sum of lines 1.A through 1.G.

B. Resources that do not Fund Net Costs of Operations. Some obligations or nonbudgetary financing sources do not result in expenses on the Statement of Net Cost for the period in which the obligation was made or the nonbudgetary resource recognized. Resources that do not fund net costs of operations commonly arise from three sources. One source is the change in goods, services, and benefits ordered but not yet received or provided. Another source is any good or service capitalized on the Balance Sheet. The third source is any item that is treated as a financing source yet to be provided in a prior period and that is being recognized as a budgetary resource in the current period. Because these items are included in obligations, as adjusted, and nonbudgetary financing sources, but not in the net cost of operations, they shall be subtracted in the reconciliation.

1. Change in Amount of Goods, Services, and Benefits Ordered but Not Yet Received or Provided (Net Increases) Net Decrease – Line 2.A. This line includes the net change in undelivered orders from the beginning of the period to the end. Net increases in undelivered orders should be subtracted from the net obligations and nonbudgetary resources, while net decreases should be added.

2. Costs Capitalized on the Balance Sheet (Increases) Decreases – Line 2.B. This line includes obligations that do not affect net costs. Examples are: general property, plant, and equipment (PP&E), loans from liquidating funds, and nongovernment securities and investments. This amount should be subtracted from obligations and nonbudgetary resources.

3. Financing Sources that Fund Costs of Prior Periods – Line 2.C. Include on this line amounts received for budgetary resources in the current period that were previously reported as “financing sources yet to be provided.”

4. Other – Line 2.D. This line should include any other amounts that are not identified in lines 2.A through 2.C that are resources that do not fund net costs of operations.

5. Total Resources That Do Not Fund Net Costs of Operations – Line 2.E. Sum of lines 2.A through 2.D.

C. Costs that do not Require Resources. These are costs which do not require financing by either budgetary or nonbudgetary resources. Although there may be many expenses of this type, two of the most common are (1) depreciation and (2) expenses related to the revaluation of assets. Because these items are part of the net cost of operations but are not included in obligations, as adjusted, and nonbudgetary resources, they should be added in the reconciliation. As a practical matter, it may not always be feasible to report this information separately as displayed in the illustrated Statement of Financing. In situations where it is not feasible to separately report all of the information illustrated in the statement, “netting” is permitted and the entire amount may be reported under the caption “Costs that do not Require Resources.”

1. Depreciation and Amortization – Line 3.A. Report those amounts for depreciation and amortization for general PP&E. This line should also include amounts for depletion.

2. Revaluation of Assets and Liabilities – Line 3.B. This line includes other gains and losses as a result of the revaluation of assets.

3. Other – Line 3.C. Include amounts for bad debts related to uncollectible noncredit report receivables. Include also amounts for the losses on the disposition of assets and the obligations associated with extraordinary items.

4. Total Costs That Do Not Require Resources – Line 3.D. Sum of lines 3.A through 3.C.

D. Financing Sources Yet to be Provided – Line 4. The costs of the federal government are not always funded in the period the costs are incurred. The example most common to agencies funded only by appropriations is the cost of increases in unused annual leave. Costs of this nature are incurred in the reporting period, but are normally funded through appropriations in subsequent years. Future funding required for these costs is reported as “financing sources yet to be provided.” Because these costs are part of the net cost of operations but are not in obligations as adjusted, and nonbudgetary resources, they should be added in the reconciliation. Note that in a subsequent year, when budgetary resources are provided, the costs are subtracted in the section entitled “resources that do not fund net cost of operations.”

E. Net Cost of Operations – Line 5. This amount is determined by netting the “obligations as adjusted and nonbudgetary resources” and making appropriate adjustments for the total “resources that do not fund net cost of operations,” the total “costs that do not require resources,” and “financing sources yet to be provided.” The net cost of operations resulting from the reconciliation on the Statement of Financing shall be the same as the net cost of operations reported on the Statement of Net Cost.

0803 GENERAL LEDGER CROSSWALK FOR THE STATEMENT OF FINANCING. The following provides an explanation of the information included in the columns of the crosswalk (all ending balances are preclosing balances):

080301. Column (1) represents the line number on the statement.

080302. Column (2) identifies the title of the line number on the statement.

080303. Column (3) reflects the U.S. Standard General Ledger account numbers included on each line of the statement,

080304. Column (4) identifies the title of the general ledger account.

080305. Column (5) indicates the balance or value selected for each account (E = End of period balance, B = Beginning of period balance, E-B = End of period balance less the beginning of period balance).

080306. Column (6) additional information to be used in developing the presentation of the identified data.

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Financing Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
1	OBLIGATIONS AND NONBUDGETARY RESOURCES				
1.A.	Obligations Incurred	4801	Undelivered Orders – Unpaid	E-B	Category A. Direct
		4802	Undelivered Orders – Paid	E-B	Category A. Direct
		4881	Upward Adjustments of Prior Year Unpaid Undelivered Orders	E	Category A. Direct
		4882	Upward Adjustments of Prior Year Paid Undelivered Orders	E	Category A. Direct
		4901	Expended Authority – Unpaid	E-B	Category A. Direct

Table 8-1

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Financing Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
		4902	Expended Authority – Paid	E	Category A. Direct
		4981	Upward Adjustments of Prior Year Unpaid	E	
			Expended Authority		Category A. Direct
		4982	Upward Adjustments of Prior Year Paid	E	Category A. Direct
			Expended Authority		
		4801	Undelivered Orders – Unpaid	E	Category B. Direct
		4802	Undelivered Orders – Paid	E-B	Category B. Direct
		4881	Upward Adjustments of Prior Year Unpaid	E	Category B. Direct
			Undelivered Orders		
		4882	Upward Adjustments of Prior Year Paid	E	Category B. Direct
			Undelivered Orders		
		4901	Expended Authority – Unpaid	E-B	Category B. Direct
		4902	Expended Authority – Paid	E	Category B. Direct
		4981	Upward Adjustments of Prior Year Unpaid	E	Category B. Direct
			Expended Authority		
		4982	Upward Adjustments of Prior Year Paid	E	Category B. Direct
			Expended Authority		
		4801	Undelivered Orders – Unpaid	E-B	Direct not subject to apportionment
		4802	Undelivered Orders – Paid	E-B	Direct not subject to apportionment
		4881	Upward Adjustments of Prior Year Unpaid	E	Direct not subject to apportionment
			Undelivered Orders		
		4882	Upward Adjustments of Prior Year Paid	E	Direct not subject to apportionment
			Undelivered Orders		
		4901	Expended Authority – Unpaid	E-B	Direct not subject to apportionment
		4902	Expended Authority – Paid	E	Direct not subject to apportionment

Table 8-1 (cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Financing Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
		4981	Upward Adjustments of Prior Year Unpaid Expended Authority	E	Direct not subject to apportionment
		4982	Upward Adjustments of Prior Year Paid Expended Authority	E	Direct not subject to apportionment
		4801	Undelivered Orders – Unpaid	E-B	Reimbursable
		4802	Undelivered Orders – Paid	E-B	Reimbursable
		4881	Upward Adjustments of Prior Year Unpaid Undelivered Orders	E	Reimbursable
		4882	Upward Adjustments of Prior Year Paid Undelivered Orders	E	Reimbursable
		4901	Expended Authority – Unpaid	E-B	Reimbursable
		4902	Expended Authority – Paid	E	Reimbursable
		4981	Upward Adjustments of Prior Year Unpaid Expended Authority	E	Reimbursable
		4982	Upward Adjustments of Prior Year Paid Expended Authority	E	Reimbursable
1.B.	Spending Authority from Offsetting Collections and Adjustments	4252	Reimbursements and Other Income Earned – Collected	E	
		4261	Actual Collection of Fees	E	
		4262	Actual Collection of Loan Principal	E	
		4263	Actual Collection of Loan Interest	E	
		4264	Actual Collection of Rent	E	
		4265	Actual Collections from Sale of Foreclosed Property	E	
		4266	Other Actual Collections - Non-Federal	E	
		4271	Actual Program Fund Subsidy Collected - Definite - Current	E	
		4272	Actual Program Fund Subsidy Collected - Indefinite - Permanent	E	

Table 8-1 (cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Financing Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
		4273	Interest Collected from Treasury	E	
		4274	Actual Program Fund Subsidy Collected - Indefinite - Current	E	
		4275	Actual Collections from Liquidating Fund	E	
		4276	Actual Collections from Financing Fund	E	
		4277	Other Actual Collections - Federal	E	
		4872	Downward Adjustments of Prior Year Paid Undelivered Orders Refunds Collected	E	
		4972	Downward Adjustments of Prior Year Paid Expended Authority Refunds Collected	E	
		4251	Reimbursements and Other Income Earned - Receivable	E-B	
		4281	Actual Program Fund Subsidy Receivable - Definite - Current	E-B	
		4282	Actual Program Fund Subsidy Receivable - Indefinite - Permanent	E-B	
		4283	Interest Receivable from Treasury	E-B	
		4284	Actual Program Fund Subsidy Receivable - Indefinite - Current	E-B	
		4285	Receivable from Liquidating Fund	E-B	
		4286	Receivable from the Financing Fund	E-B	
		4287	Other Federal Receivables	E-B	
		4220	Unfilled Customer Orders	E-B	
		4220	Unfilled Customer Orders	E-B	
		4255	Appropriation Trust Fund Expenditure Transfers - Collected	E	
		4225	Appropriation Trust Fund Expenditure Transfers - Receivable	E	
					With advance Without advance

Table 8-1 (cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Financing Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
		4871	Downward Adjustments of Prior Year Unpaid Undelivered Orders	E	
		4971	Downward Adjustments of Prior Year Unpaid Expended Authority	E	
1.C.	Donations Not in the Entity's Budget	5600	Donated Revenue	E	Other than cash
		5609	Contra Revenue for Donations	E	Other than cash
1.D.	Financing Imputed for Cost Subsidies	5780	Imputed Financing Sources	E	
1.E.	Transfers In/Out	5720	Financing Sources Transferred In Without Reimbursement	E	
		5730	Financing Sources Transferred Out Without Reimbursement	E	
1.F.	Exchange Revenue Not in the Entity's Budget	1310	Accounts Receivable	E-B	NonGovt. (Increases)/Decreases. Portion associated with NonGovt. exchange revenue
		1319	Allowance for Loss on Accounts Receivable	E-B	NonGovt. (Increases)/Decreases. Portion associated with NonGovt. exchange revenue
		1340	Interest Receivable	E-B	NonGovt. (Increases)/Decreases. Portion associated with NonGovt. exchange revenue

Table 8-1 (cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Financing Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
		1349	Allowance for Loss on Interest Receivable	E-B	NonGovt. (Increases)/Decreases. Portion associated with NonGovt. exchange revenue
		5900	Other Revenue	E	Portion associated with exchange revenue. Nonbudgetary.
1.G.	Other	5900	Other Revenue	E	Portion associated with nonexchange revenue
		5790	Other Financing Sources	E	
1.H.	Total Obligations as Adjusted and Nonbudgetary Resources		Sum of 1.A. through 1.G.		
2	RESOURCES THAT DO NOT FUND NET COST OF OPERATIONS:				
2.A.	Change in Amount of Goods Services and Benefits Ordered but Not Yet Provided (Net Increases) Net Decreases	4801	Undelivered Orders – Unpaid	E-B	Net (Increases)/Decreases
		4871	Downward Adjustments of Prior Year Unpaid Undelivered Orders	E	
		4881	Upward Adjustments of Prior Year Unpaid Undelivered Orders	E	
		4802	Undelivered Orders – Paid	E-B	Net (Increases)/Decreases
		4872	Downward Adjustments of Prior Year – Paid Undelivered Orders Refund Collected	E	
		4882	Upward Adjustments of Prior Year – Paid Undelivered Orders	E	

Table 8-1 (cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Financing Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
2.B.	Costs Capitalized on the Balance Sheet	1711	Land and Land Rights	E-B	
		1712	Improvements to Land	E-B	
		1720	Construction in Progress	E-B	
		1730	Buildings, Improvements, and Renovations	E-B	
		1739	Accumulated Depreciation on Buildings, Improvements, and Renovations	E-B	
		1740	Other Structures and Facilities	E-B	
		1749	Accumulated Depreciation on Other Structures and Facilities	E-B	
		1750	Equipment	E-B	
		1759	Accumulated Depreciation on Equipment	E-B	
		1810	Assets Under Capital Lease	E-B	
		1819	Accumulated Depreciation on Assets Under Capital Lease	E-B	
		1820	Leasehold Improvements	E-B	
		1829	Accumulated Amortization on Leasehold Improvements	E-B	
		1830	Information Technology Software	E-B	
		1839	Accumulated Amortization on Information Technology Software	E-B	
		1840	Other Natural Resources	E-B	
		1849	Allowance for Depletion	E-B	
		1890	Other General Property, Plant, and Equipment	E-B	
		6100	Operating/Program Expenses	E	
		6100	Operating/Program Expenses	E	
		6100	Operating/Program Expenses	E	
		7210	Losses on Disposition of Assets	E	Depreciation Depletion Amortization of general property, plant, and equipment Related to general property, plant, and equipment

Table 8-1 (cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Financing Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
		1350	Loans Receivable	E-B	Liquidating fund only
		1511	Operating Materials and Supplies Held for Use	E-B	
		1512	Operating Materials and Supplies Held in Reserve for Future Use	E-B	
		1513	Operating Materials and Supplies – Excess, Unserviceable and Obsolete	E-B	
		1521	Inventory Held for Sale	E-B	
		1522	Inventory Held in Reserve for Future Sale	E-B	
		1523	Inventory Held for Repair	E-B	
		1524	Inventory – Excess, Obsolete and Unserviceable	E-B	
		1530	Seized Property – Monetary Instruments	E-B	
		1541	Forfeited Property, Held for Sale	E-B	
		1542	Forfeited Property, Held for Donation or Use	E-B	
		1560	Commodities, Net	E-B	
		1570	Stockpile Materials	E-B	
		1590	Other Related Property, Net	E-B	
		1610	Securities (At Par)	E-B	
		1690	Other Investments	E-B	
		7210	Losses on Disposition of Assets	E	Non-Government Non-Government Non-Government. Related to investments and securities
2.C.	Financing Sources that Fund Costs of Prior Periods	4118	Re-estimated Discretionary Loan Subsidy Appropriation – Indefinite – Perm	E	If net decrease
		2220	Accrued Unfunded Liabilities	E-B	If net decrease
		2610	Retirement Plans	E-B	If net decrease
		2620	Insurance Plans	E-B	If net decrease
		2690	Other Actuarial Liabilities	E-B	If net decrease

Table 8-1 (cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Financing Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
		2940	Capital Lease Liability	E-B	If net decrease related to payment made prior to FY 1991
		2920	Contingent Liabilities	E-B	If net decrease
		2990	Other Liabilities	E-B	If net decrease
		2995	Accrued Cleanup Cost	E-B	If net decrease
2.D.	Other				
2.E.	Total Resources that do not Fund Net Costs of Operations		Sum of 2.A. through 2.D.		
3	COST THAT DO NOT REQUIRE RESOURCES				
3.A.	Depreciation and Amortization	6100	Operating/Program Expenses	E	Depreciation
		6100	Operating/Program Expenses	E	Amortization of general property, plant, and equipment
		6100	Operating/Program Expenses	E	Depletion
3.B.	Revaluation of Assets and Liabilities	7190	Other Gains	E	Revaluation of assets
		7290	Other Losses	E	Revaluation of assets
3.C.	Other	6100	Operating/Program Expenses	E	Bad debt. Related to uncollectible noncredit reform receivables (This represents the amount posted to Department of Defense account 6129)
		7110	Gains on Disposition of Assets	E	
		7210	Losses on Disposition of Assets	E	
		7300	Extraordinary Items	E	Associated with obligations only

Table 8-1 (cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Financing Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
3.D.	Total Costs that do not Require Resources		Sum of Lines 3.A. through 3.C.		
4	Financing Sources Yet to be Provided	1920	Unrequisitioned Authorized Appropriations	E-B	Increases related to other than credit reform
		2220	Accrued Unfunded Liabilities	E-B	If net increase
		2610	Retirement Plans	E-B	If net increase
		2620	Insurance Plans	E-B	If net increase
		2690	Other Actuarial Liabilities	E-B	If net increase
		2940	Capital Lease Liability	E-B	If net increase related to payment made prior to FY 1991
		2920	Contingent Liabilities	E-B	If net increase
		2990	Other Liabilities	E-B	If net increase
		2995	Accrued Cleanup Cost	E-B	If net increase
		6100	Operating/Program Expenses	E	Upward subsidy re-estimates on credit reform loans (Analyze upward subsidies to Department of Defense account 6199 Adjustment of Subsidy Expense)
5	Net Cost of Operations		Sum of lines 1.H., 2.E., 3.D., and 4. (should equal Statement of Net Cost, Line 5.)		

Table 8-1 (cont.)